

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Charlevoix County Public Transit	County Charlevoix
Fiscal Year End 9/30/06	Opinion Date 11/28/06	Date Audit Report Submitted to State 12/22/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 1107 E. 8TH STREET		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

**CHARLEVOIX COUNTY PUBLIC TRANSIT**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with supplemental information)**  
**YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

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**CHARLEVOIX COUNTY PUBLIC TRANSIT  
COMMITTEE MEMBERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Henry Erber, Chairperson

W. Randolph Frykberg, Vice-chairperson

Jane Brannon, Secretary



## **Independent Auditor's Report**

To the Transit Committee  
Charlevoix County Public Transit

We have audited the accompanying financial statements of the Charlevoix County Public Transit of Charlevoix County, as of and for the years ended September 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of Charlevoix County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Charlevoix County Public Transit and do not purport to, and do not present fairly the financial position of Charlevoix County, and the changes in financial position and cash flows, where applicable for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlevoix County Public Transit of Charlevoix County, as of September 30, 2006 and 2005, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2006, on our consideration of Charlevoix County Public Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

November 28, 2006

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2006**

This section of Charlevoix County Public Transit's annual financial report presents its discussion and analysis of the Public Transit's financial performance during the fiscal years ending September 30, 2006 and 2005.

**Financial Highlights**

- The Public Transit's financial status increased during the year. Total net assets increased 7.3% over the course of the year.
- Overall revenues were \$1,105,696, which included \$564,455 from operating grants.
- The Public Transit received \$152,826 in capital grants during the year to purchase two new buses and office and shop equipment.
- State operation funding increased 2.0% from the prior year to 39.25% of eligible expenses from 38.44%.
- Federal operation funding increased to 17.0% from 12.4% in the prior year.
- Transit ridership decreased 3.4% from the prior year.
- The Public Transit's tax base increased by 7.114%.

**Overview of the Financial Statements**

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include both *short-term* and *long-term* information about the Public Transit's *overall* financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Public Transit's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Charlevoix County Public Transit Basic Financial Statements**

The Public Transit basic financial statements report information about the Public Transit using the full accrual method of accounting. The statement of net assets includes all of the Charlevoix County Public Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2006**

The Charlevoix County Public Transit basic financial statements report the Public Transit's *net assets* and how they have changed. Net assets-the difference between the Public Transit's assets and liabilities-is one way to measure the Public Transit's financial health or *position*.

- Over time, increases or decreases in the Public Transit's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Public Transits overall health, you need to consider additional non-financial factors such as changes in the Public Transit's property tax base and the condition of buildings and other facilities.

**Financial Analysis of the Charlevoix County Public Transit**

Net assets. The Charlevoix County Public Transit's *combined* net assets were higher on September 30, 2006, than they were the year before, increasing 7.3% to \$1,344,639. Figure A-1 illustrates the valuation of net assets on September 30, 2006 and 2005.

**Figure A-1**

*Condensed Statement of Net Assets*

	<u>9/30/06</u>	<u>9/30/05</u>
<b>Assets</b>		
Current	\$ 892,684	\$ 750,918
Non-Current	565,608	622,880
	<u><b>\$ 1,458,292</b></u>	<u><b>\$ 1,373,798</b></u>
 <b>Liabilities</b>		
Current	<u>\$ 113,653</u>	<u>\$ 120,378</u>
<b>Net Assets</b>		
Invested in Capital Assets	565,608	622,880
Unrestricted	779,031	630,540
	<u><b>1,344,639</b></u>	<u><b>1,253,420</b></u>
 <b>Liabilities and Net Assets</b>	<u><b>\$ 1,458,292</b></u>	<u><b>\$ 1,373,798</b></u>

The Public Transit's financial position, in total, increased from the prior year. State financing has increased 2.0% and personnel expenses (salaries and related benefits) decreased 5.79%, based on staff cuts. The tax based increased 7.114%.

The ridership for Charlevoix County Public Transit decreased 3.4% from year ended September 30, 2006 compared to September 30, 2005. With total riders of 99,829 and 103,337 for the years ended September 30, 2006 and 2005, respectively.

Figure A-2 illustrates changes in net assets for operations as of September 30, 2006 and 2005.

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2006**

**Figure A-2**

*Changes in Net Assets from Operating Results*

**For the year ended September 30, 2006 and 2005**

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Revenues:</b>		
Charges for Services	\$ 114,445	\$ 115,835
Operating Grants and Contributions	564,455	568,643
Local revenues	426,796	382,254
	<u>1,105,696</u>	<u>1,066,732</u>
<b>Expenses:</b>		
Operating expenses	<u>1,167,303</u>	<u>1,260,120</u>
 CAPITAL GRANTS	 <u>152,826</u>	 <u>                    </u>
 CHANGE IN NET ASSETS	 91,219	 (193,388)
 NET ASSETS, beginning of year	 <u>1,253,420</u>	 <u>1,446,808</u>
 NET ASSETS, end of year	 <u><u>\$ 1,344,639</u></u>	 <u><u>\$ 1,253,420</u></u>

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2006, the Public Transit had invested \$2,014,972 in vehicles, equipment and buildings. This amount is higher than the previous year due to the purchase of two buses and equipment. Total depreciation expense for the year exceeded \$202,000. Figure A-3 details the historical costs, accumulated depreciation, and book value of the Public Transit's capital assets.



**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2006**

**Figure A-3**

*Statement of Capital Assets*

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>September 30, 2006</b>			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	111,377	978,081	1,089,458
Bus and garage equipment	65,190	146,070	211,260
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	388,891	1,626,081	2,014,972
Less accumulated depreciation	<u>284,137</u>	<u>1,165,227</u>	<u>1,449,364</u>
Net Property and Equipment	<u><u>\$ 104,754</u></u>	<u><u>\$ 460,854</u></u>	<u><u>\$ 565,608</u></u>
<b>September 30, 2005</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Vehicles	112,694	864,145	976,839
Bus and garage equipment	65,190	132,070	197,260
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	390,208	1,480,645	1,870,853
Less accumulated depreciation	<u>256,172</u>	<u>991,801</u>	<u>1,247,973</u>
Net Property and Equipment	<u><u>\$ 134,036</u></u>	<u><u>\$ 488,844</u></u>	<u><u>\$ 622,880</u></u>

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2006**

**Factors Bearing on the Public Transit's Future**

At the time these financial statements were prepared and audited, the Public Transit was aware of the following circumstance that could significantly affect its financial health in the future:

- Federal Operating will decrease from 17.0% to 16.0% of eligible operating expenses in 2007.
- State operating funds will decrease from 39.25% to 38.62% of eligible expenses in 2007.
- The Public Transit has seen a large increase in property and casualty insurance coverage in the past two years. Charlevoix County Public Transit participates in the Michigan Transit Pool to save on vehicles insurance costs. Unfortunately, pool members must share the cost of large claims from the other members. In 2002 and 2004, there has been above average large claims that required retrospective billings to all members. These claims happen and cannot be predicted. Due to this, premiums cannot be stabilized to account for catastrophic claims. Since September 11<sup>th</sup>, excess insurance rates have soared. This has increased the rates MTP members pay since we purchase excess insurance for over \$1,000,000. To combat the increased excess insurance costs, the MTP now self insures for \$2,000,000 and purchases \$2,000,000 in excess insurance. The future risk shared losses increases since the MTP now carries the first \$2,000,000 in coverage. The Public Transit is not able to stabilize future premium costs due to the risk factor of all pool members.

**Contacting the Public Transit's Financial Management**

This financial report is designed to provide the Charlevoix County Public Transit's citizens, taxpayers, and customers with a general overview of the Public Transit's finances and to demonstrate the Public Transit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charlevoix County Public Transit Business, 1050 Brockway St., Boyne City, MI 49712.

**CHARLEVOIX COUNTY PUBLIC TRANSIT**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2006 AND 2005**

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 768,748	\$ 538,053
Receivables:		
Accounts	7,823	5,970
Interest	2,949	2,949
Grants receivable from State	57,990	169,361
Inventories	30,343	29,859
Prepaid expenses	<u>24,831</u>	<u>4,726</u>
Total Current Assets	892,684	750,918
PROPERTY AND EQUIPMENT, less accumulated depreciation	<u>565,608</u>	<u>622,880</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,458,292</u></u>	<u><u>\$ 1,373,798</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,174	\$ 53,340
Accrued expenses	9,656	3,549
Due to other funds	14,346	14,346
Due to State	19,019	17,871
Accrued sick and vacation	32,458	31,272
Deferred liability	<u>20,000</u>	<u></u>
Total Current Liabilities	<u>113,653</u>	<u>120,378</u>
<b>NET ASSETS:</b>		
Invested in capital assets	565,608	622,880
Retained earnings	<u>779,031</u>	<u>630,540</u>
Total Net Assets	<u>1,344,639</u>	<u>1,253,420</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,458,292</u></u>	<u><u>\$ 1,373,798</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES	\$ 114,445	\$ 115,835
OPERATING EXPENSES	<u>1,167,303</u>	<u>1,260,120</u>
Operating Loss	<u>(1,052,858)</u>	<u>(1,144,285)</u>
NON-OPERATING REVENUES (EXPENSES):		
Local	426,796	382,254
State and federal	<u>564,455</u>	<u>568,643</u>
Total Non-Operating Revenues	<u>991,251</u>	<u>950,897</u>
CAPITAL GRANTS	<u>152,826</u>	
INCREASE (DECREASE) IN NET ASSETS	91,219	(193,388)
NET ASSETS, beginning of year	<u>1,253,420</u>	<u>1,446,808</u>
NET ASSETS, end of year	<u><u>\$ 1,344,639</u></u>	<u><u>\$ 1,253,420</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 112,592	\$ 119,285
Cash payments to supplies and employees	(993,058)	(999,585)
	<u>(880,466)</u>	<u>(880,300)</u>
Net cash used in operating activities		
	<u>(880,466)</u>	<u>(880,300)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:</b>		
Local tax levy received	414,041	356,222
State of Michigan – Single Business Tax – inventory rebate	(6,358)	6,359
Other miscellaneous revenue	557	2,684
Operating grants received	676,974	565,274
	<u>1,085,214</u>	<u>930,539</u>
Net cash provided by non-capital financing		
	<u>1,085,214</u>	<u>930,539</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(145,435)	
Proceeds from sale of fixed assets	1,210	1,614
Capital grants received	152,826	
	<u>8,601</u>	<u>1,614</u>
Net cash provided by capital and related financing activities		
	<u>8,601</u>	<u>1,614</u>
<b>CASH FLOWS FROM INVESTING ACITIVITIES</b>		
Interest on investments	17,346	15,375
	<u>17,346</u>	<u>15,375</u>
<b>NET INCREASE IN CASH</b>	<u>230,695</u>	<u>67,228</u>
<b>CASH, beginning of year</b>	<u>538,053</u>	<u>470,825</u>
<b>CASH, end of year</b>	<u><u>\$ 768,748</u></u>	<u><u>\$ 538,053</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED IN OPERATING ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating loss	\$ (1,032,858)	\$ (1,144,285)
Adjustments to reconcile operating loss to net cash provided		
By operating activities:		
Depreciation	202,708	205,034
Accounts receivable	(1,853)	3,450
Inventories	(484)	(386)
Prepaid expenses	(20,105)	130
Accounts payable	(35,167)	42,682
Accrued expenses	6,107	9,880
Accrued sick and vacation pay	<u>1,186</u>	<u>3,195</u>
Total adjustments	<u>152,392</u>	<u>263,985</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (880,466)</u>	<u>\$ (880,300)</u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: DESCRIPTION OF THE REPORTING ENTITY**

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

**NOTE 2: DESCRIPTION OF FUND**

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Charlevoix County Public Transit conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Charlevoix County Public Transit follows the accrual basis of accounting. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Cash

Cash is maintained by the County Treasurer in a common cash account with other County funds.

Inventories

Inventories of replacement parts are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Capital assets & Depreciation

Capital assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets with an initial, individual cost of less than \$5,000 and/or an estimated useful life of less than one year and purchased with Federal and/or State grants are expensed and subtracted out as ineligible on the "Maximum Reimbursement Computations of Local Bus Operating Assistance". Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Bad Debts

Charlevoix County Public Transit does not use the allowance for bad debt method since all receivables are deemed collectible.

**NOTE 4: PROPERTY & EQUIPMENT**

Major classes of property and equipment consist of the following:

<b>Business-type activities</b>	<b>Balance 09/30/05</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 09/30/06</b>
Capital assets, being depreciated				
Buildings	\$ 656,373	\$ 17,500		\$ 673,873
Vehicles	976,839	113,936	1,317	1,089,458
Bus and garage equipment	197,260	14,000		211,260
Furniture, fixtures and equipment	40,381			40,381
Total capital assets being depreciated	1,870,853	145,436	1,317	2,014,972
Less accumulated depreciation for:				
Buildings	435,717	32,912		468,629
Vehicles	625,778	151,107	1,317	775,568
Bus and garage equipment	146,097	18,689		164,786
Furniture, fixtures and equipment	40,381			40,381
Total accumulated depreciation	1,247,973	202,708	1,317	1,449,364
Total capital assets, being depreciated, net	622,880			565,608
Business-type activities capital assets, net	<u>\$ 622,880</u>			<u>\$ 565,608</u>



**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: PROPERTY & EQUIPMENT – Continued:**

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
<b>September 30, 2006</b>			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	111,377	978,081	1,089,458
Bus and garage equipment	65,190	146,070	211,260
Furniture, fixtures and equipment	15,990	24,391	40,381
	388,891	1,626,081	2,014,972
Less accumulated depreciation	284,137	1,165,227	1,449,364
Net Property and Equipment	<u>\$ 104,754</u>	<u>\$ 460,854</u>	<u>\$ 565,608</u>

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
<b>September 30, 2005</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Vehicles	112,694	864,145	976,839
Bus and garage equipment	65,190	132,070	197,260
Furniture, fixtures and equipment	15,990	24,391	40,381
	390,208	1,480,645	1,870,853
Less accumulated depreciation	256,172	991,801	1,247,973
Net Property and Equipment	<u>\$ 134,036</u>	<u>\$ 488,844</u>	<u>\$ 622,880</u>

Depreciation is computed on a straight-line method for all assets. Depreciation expense for the years 2006 and 2005 was \$202,708 and \$205,034, respectively.

The land which was used to place the Public Transit facility on was donated by the Charlevoix County Road Commission to the County and is not reflected on the Public Transit records.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: RETIREMENT PLAN**

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 16.85 percent of covered gross payroll for 2006 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

**NOTE 6: VACATION & SICK LEAVE**

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of 30 days in a one year period, and up to 10 days may be carried over.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 65 days.

Vacation pay is payable at 100 percent to employees when they terminate employment.

Sick pay is payable to employees when they leave employment to a maximum of 25 percent of the remaining accumulated sick leave up to a maximum of 65 days.

Vacation or sick leave utilized during the year is recorded as current fringe benefit expenditures. At year end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an applicable adjusting entry posted to the liability and expenditure account.

Vacation and sick leave accrued and expensed for the fiscal year ended September 30, 2006 and 2005 resulted in an increase to expense of \$1,186 and \$3,195, respectively.

**NOTE 7: DEPOSITS & INVESTMENTS**

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below. Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2006 and 2005, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposits.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents. At the end of the year, a \$200,000 Certificate of Deposit was held with a maturity of less than three months. The Transit Authority has no investments that require disclosure under GASB 40. The Transit Authority follows the investment policy of the County.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: PROPERTY TAX LEVY COLLECTED IN 2006**

<u>Mills</u>	<u>Adjusted Levy</u>	<u>Tax collections and purchased By County</u>	<u>IFT &amp; CFT Collections</u>	<u>Unpaid personal</u>
.2461	\$ 418,341	\$ 414,041	\$ 2,443	\$ 631

The IFT and CFT amounts are not included in the adjusted levy.

Taxes lost to the Cities of Charlevoix and Boyne City through the DDA and TIFA amounted to \$15,484. The 2005 Taxable Value for the County is \$1,699,882,161.

The property taxes are collected by local treasurers with the taxes becoming due and payable on December 1st of each year and payable without penalty through February 15 (or 28th), as the case may be, by option of each local unit. Taxes are returned to the County Treasurer for collection on or about March 1st of each year.

The County Treasurer purchases all uncollected real taxes in May. The Treasurer pays over to the Public Transit all current and delinquent real property taxes and all accumulated current personal property taxes in May or June of each year. All unpaid personal property taxes are paid to the Public Transit on a monthly basis as they are collected.

**NOTE 10: INSURANCE POOL**

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk-shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: INSURANCE POOL - continued**

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

**NOTE 11: CONTINGENCIES**

The Michigan Department of Transportation has been inquiring about the cost allocation plan between the Public Transit and Regional Transit. It is the opinion of the Department of Transportation that the cost allocation plan based on mileage of the two transits was improper. Charlevoix Public Transit has made an appeal to the Department of Transportation, and would like to retroactively amend the cost allocation plan to be based on actual expenses. If the Department of Transportation does not accept the appeal, Charlevoix Public Transit could be required to repay approximately \$300,000. As of September 30, 2006, no amount has been recorded since a final resolution has not been accepted.

**NOTE 12: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2006 presentation.

**NOTE 13: PRIOR PERIOD ADJUSTMENT**

Two events occurred during the year that required the Public Transit Authority to make an adjustment to its previously issued financial statements.

The Public Transit Authority received information during the year that changed the amount to be received from the State of Michigan for operating assistance for years 2002 and 2003. It was previously disclosed to the Public Transit Authority that it would receive \$189,571 in settlement for those two years. It was finally determined that the Public Transit Authority would receive \$836 to settle to two years. An adjustment of \$188,735 has been made to reduce revenue for the year ended September 30, 2005.

Also, during the year it was determined that health insurance was not properly allocated to the Transit Authority from the County. This increased fringe benefits \$14,346 for the year ended September 30, 2005.

## **INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

Our report on our audit of the financial statements of Charlevoix County Public Transit appears on page 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charlevoix County Public Transit. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Certified Public Accountants

Traverse City, Michigan  
November 28, 2006

**SCHEDULE 1**

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Demand-response:		
Passenger fares	\$ 53,766	\$ 54,311
Special fares	<u>60,679</u>	<u>61,524</u>
 TOTAL OPERATING REVENUES	 <u><u>\$ 114,445</u></u>	 <u><u>\$ 115,835</u></u>

**SCHEDULE 2**

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF OPERATING EXPENSES  
YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2005**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total 2006</u>	<u>Total (Memorandum Only) 2005</u>
Labor:					
Operating salaries and wages	\$ 239,472	\$	\$ 84,014	\$ 239,472	\$ 259,680
Other salaries and wages		92,025		176,039	166,293
Dispatch salaries	49,649			49,649	48,481
Fringe benefits	180,126	54,772	47,351	282,249	318,951
Services					
Advertising/promotion expense			3,022	3,022	5,510
Other services			5,877	5,877	6,061
Materials and supplies consumed:					
Fuel and lubricants	69,424			69,424	66,977
Tires and tubes	5,284			5,284	3,115
Other materials and supplies	6,534	18,154	1,761	26,449	61,182
Utilities	13,680	2,006	2,114	17,800	16,155
Casualty and liability cost:					
Liability and property damage insurance	47,462			47,462	74,900
Worker's compensation					8,101
Purchased services	25,000			25,000	
Miscellaneous expenses:					
Travel	92		59	151	1,032
Association dues			1,563	1,563	1,753
Other miscellaneous expense	7,658		7,496	15,154	16,895
Depreciation	<u>121,638</u>	<u>24,328</u>	<u>56,742</u>	<u>202,708</u>	<u>205,034</u>
<b>TOTAL EXPENSES</b>	<u>\$ 766,019</u>	<u>\$ 191,285</u>	<u>\$ 209,999</u>	<u>\$ 1,167,303</u>	<u>\$ 1,260,120</u>

**SCHEDULE 3A****CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULES OF NON-OPERATING REVENUES  
YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Property taxes	\$ 414,041	\$ 356,222
Interest Income	17,346	15,375
Gain on sale of fixed assets	1,210	1,614
State of Michigan Single Business Tax Return on Inventory	(6,358)	6,359
Miscellaneous refunds and reimbursements	<u>557</u>	<u>2,684</u>
 TOTAL NON-OPERATING REVENUE – LOCAL	 <u>\$ 426,796</u>	 <u>\$ 382,254</u>



**SCHEDULE 3B**

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULES OF NON-OPERATING REVENUES  
YEARS ENDED SEPTEMBER 30, 2006 AND 2005  
(continued)**

	<u>2006</u>	<u>2005</u>
State of Michigan operating grants:		
Local bus operating assistance (Act 51)	\$ 385,204	\$ 408,798
Local bus operating adjustments – prior years	<u>11,524</u>	<u>(6,278)</u>
 Total State of Michigan operating grants	 <u>396,728</u>	 <u>402,520</u>
 Federal operating grants		
U.S. DOT operating grant – Section 5311		
Contract 02-0027/Z13	165,845	
Contract 02-0027/Z9/R1		131,176
Contract 02-0027/Z4		24,264
Contract 02-0027/Z3		7,248
R-TAP expense reimbursement	<u>1,882</u>	<u>3,435</u>
 Total Federal operating grants	 <u>167,727</u>	 <u>166,123</u>
 TOTAL NON-OPERATING REVENUES - STATE AND FEDERAL	 <u><u>\$ 564,455</u></u>	 <u><u>\$ 568,643</u></u>

**SCHEDULE 4**

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS  
OF GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Section 5311</u>	<u>Operating Assistance</u>
Expenses:		
Labor	\$ 465,160	\$ 465,160
Fringe benefits	282,249	282,249
Services	8,899	8,899
Materials and supplies	101,157	101,157
Utilities	17,800	17,800
Casualty and liability insurance	72,462	72,462
Miscellaneous expenses	16,868	16,868
Depreciation	<u>202,708</u>	<u>202,708</u>
 TOTAL EXPENSES	 <u>1,167,303</u>	 <u>1,167,303</u>
Less ineligible expenses:		
Depreciation:		
Grant assets	173,404	173,404
Excess of grant – noneligible	4,577	4,577
R-TAP (unreimbursed)	1,882	1,882
Capital grant expenses not capitalized	5,382	5,382
Audit fees	5,737	
Maintenance grant	683	683
Dues	<u>77</u>	<u>77</u>
 Total ineligible expenses	 <u>191,742</u>	 <u>186,005</u>
 NET ELIGIBLE EXPENSES	 <u>975,561</u>	 <u>981,298</u>
 Maximum Section 5311 reimbursement 17%	 <u>\$ 165,845</u>	
 Maximum State operating Assistance 39.2545% of eligible expenses		 <u>\$ 385,204</u>

**SCHEDULE 5****CHARLEVOIX COUNTY PUBLIC TRANSIT  
MILEAGE DATA  
YEAR ENDED SEPTEMBER 30, 2006**

	Public Transportation Mileage
DEMAND RESPONSE	
First quarter	76,141
Second quarter	80,628
Third quarter	83,203
Fourth quarter	78,705
TOTAL DEMAND RESPONSE	318,677

**Note:**

The methodology for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF FINANCIAL ASSISTANCE  
FEDERAL AND STATE  
YEAR ENDED SEPTEMBER 30, 2006**

Federal grantor/Pass through grantor Program title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Beginning Receivable/ (Deferral)	Receipts	Disbursements	Adjustments	Ending Receivable/ (Deferral)
<u>U.S. Department of Transportation</u>								
<u>Passed through MDOT:</u>								
Operating assistance Section 5311	20.509	02-0027/Z13/R1	\$ 165,845	\$	\$ 146,883	\$ 165,845		\$ 18,962
Operating assistance Section 5311	20.509	02-0027/Z9/R1	131,176	32,603	33,710			(1,107)
Operating assistance Section 5311	20.509	02-0027/Z7	132,072	19,974				19,974
Operating assistance Section 5311	20.509	02-0027/Z4	87,050	24,904	24,904			
Operating assistance Section 5311	20.509	01-0022	100,434	(632)				(632)
R-TAP Training	20.509	N/A	3,500	1,940	1,940			
R-TAP Training	20.509	N/A	1,882		1,882	1,882		
Capital Grant Section 5309	20.500	02-0027/Z3	123,754	446	1,129	683		
Capital Grant Section 5309	20.500	02-0027/Z8	89,800		87,941	87,941		
Capital Grant Section 5309	20.500	02-0027/Z11	14,000		14,000	14,000		
Capital Grant Section 5309	20.500	02-0027/Z12	28,000		14,000	14,000		
Capital Grant Section 5309	20.500	02-0027/Z10	6,800			3,208		3,208
Capital Grant Section 5309	20.500	02-0027/Z15	74,000		6,707	6,707		
TOTAL FEDERAL ASSISTANCE			<u>\$ 958,313</u>	<u>\$ 79,235</u>	<u>\$ 333,096</u>	<u>\$ 294,266</u>	<u>\$</u>	<u>\$ 40,405</u>
<u>Michigan Department of Transportation</u>								
Operating assistance Act 51		2006	385,204		379,709	385,204		5,495
Operating assistance Act 51		2005	408,798	(17,239)			1,208	(16,031)
Operating assistance Act 51		2004	511,802	86,498	84,906			1,592
Operating assistance Act 51		2003	449,655	94,542	500		(94,042)	
Operating assistance Act 51		2002	449,545	95,029	336		(94,693)	
Operating assistance Act 51		2001	333,373	2,159	2,159			
Operating assistance Act 51		2000	11,524		11,524	11,524		
Capital Grant Section 5309		02-0027/Z8	22,450		21,985	21,985		
Capital Grant Section 5309		02-0027/Z12	7,000		3,500	3,500		
Capital Grant Section 5309		02-0027/Z10	1,700			802		802
TOTAL STATE OF MICHIGAN ASSISTANCE			<u>\$ 2,581,051</u>	<u>\$ 260,989</u>	<u>\$ 504,619</u>	<u>\$ 423,015</u>	<u>\$ (187,527)</u>	<u>\$ (8,142)</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

November 28, 2006

To the Transit Committee  
Charlevoix County Public Transit

We have audited the financial statements of the business-type activities of Charlevoix County Public Transit, an enterprise fund of Charlevoix County, Michigan, as of and for the year ended September 30, 2006, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Charlevoix County Public Transits' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charlevoix County Public Transits' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Transit Committee, management, the Urban Mass Transportation Administration, and the Michigan Department of Transportation (MDOT) and is not intended to be and should not be used by anyone other than these specified parties.

November 28, 2006

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SUPPLEMENTARY SCHEDULE OF INELIGIBLE COSTS  
YEAR ENDED SEPTEMBER 30, 2006**

<u>Program</u>	<u>Description of Ineligible Costs</u>	<u>Ineligible Cost</u>
Urban Mass Transportation Administration		
A) Operating Grants 02-0027	1) Depreciation: Depreciation accrued on assets purchased with Contributed capital must be deducted as an ineligible expense.	\$ 173,404
	Depreciation on unreimbursed grant assets.	4,577
	2) R-TAP unreimbursed expenses are ineligible	1,882
	3) Expenses on maintenance grant	683
	4) Capital grant not capitalized	5,382
	5) Ineligible portion of association dues	<u>77</u>
	TOTAL INELIGIBLE EXPENSES FOR STATE OPERATIONS	186,005
	6) Audit fees are ineligible for Section 5311	<u>5,737</u>
	TOTAL INELGIBLE EXPENSE FOR SECTION 5311	<u><u>\$ 191,742</u></u>



November 28, 2006

To the Board of Directors  
Charlevoix County Public Transit

In planning and performing our audit of the financial statements of Charlevoix Transit Authority (Authority) for the year ended September 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Charlevoix Transit Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### Approval of Manager Expenses

During our testing, we noted that invoices reimbursing the manager for work related expenses did not have an additional approving signature or initials other than the signature of the manager. We recommend that all invoices for reimbursements to the manager be reviewed and approved by the Transit committee and signed by a member of the committee showing that the expenses have been reviewed.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants